



## **Retirement Option 4**



*California  
Public  
Employees'  
Retirement  
System*





## **Retirement Option 4**

When you retire, you may elect to have your allowance paid for your lifetime alone (your unmodified allowance), or you may select one of the retirement options which allow you to provide an allowance for a beneficiary at your death. The benefits provided under these options are paid for through a reduction from your unmodified allowance. The amount of the reduction is based on your age at retirement and the age of your beneficiary.

Options 1, 2, 2W, 3, and 3W are specifically defined in law. (Your CalPERS member booklet has a more detailed explanation with examples of these options.) Under Option 4 however, the law allows you to design the type of coverage you wish to provide, as long as the amount to your beneficiary (ies) is not more than the benefit provided under Option 2W.

There is no provision under any Option 4 calculation for your allowance to “pop up” to the unmodified allowance should your named beneficiary pre-decease you.

Examples of the types of Option 4 allowances that are currently available are provided in this brochure.

## Option 4 Examples

### 1. Specific Dollar Amount to a Beneficiary

You can specify the dollar amount of monthly allowance you want to leave to your named beneficiary upon your death. The greater the amount left to the named beneficiary or the younger the beneficiary, the greater the reduction to your unmodified allowance.

*For example:*

Assume your unmodified allowance is \$1,000 per month and you want your beneficiary to receive \$500 per month after your death. Depending on your age at retirement and the age of your beneficiary, your Option 4 allowance could be \$950 per month (plus cost-of-living increases), payable until your death, at which time your beneficiary would begin receiving \$500 per month (plus cost-of-living increases).



#### **Velvet Grass**

*Holcus lanatus*

*This grass has small flowers in a loose cluster and is unique for its greenish color and velvety texture.*

*Originating from Europe, it has spread on its own though it is occasionally planted in meadows.*

### 2. Specific Percentage to Beneficiary

You can specify that a certain percentage of your unmodified allowance will be payable to your named beneficiary upon your death. The greater the percentage left to the named

beneficiary or the younger the beneficiary, the greater the reduction to your unmodified allowance.

*For example:*

Given the same unmodified allowance as above (\$1,000 per month), you could elect Option 4 and leave 75% of your allowance to your beneficiary. Again, depending on your age and the age of your beneficiary, your Option 4 allowance could be \$925 per month. At your death, your beneficiary would be paid 75% of the allowance payable to you at that time (including cost-of-living increases). If your Option 4 allowance had increased to \$1,200 per month at your death, your beneficiary would begin receiving \$900 per month (75% of \$1,200).

### **3. Option 2W and Option 1 Combined**

You can elect an Option 4 to provide that the same monthly allowance you receive will be continued to your named beneficiary at your death if the beneficiary is alive and, after the deaths of both yourself and your named beneficiary, any remaining balance of your contributions will be paid to your secondary beneficiary(ies).

*For example:*

Using the same \$1,000 unmodified allowance, under this Option 4, \$900 a month could be payable to you until your death and then to your beneficiary for his or her lifetime. During your joint lifetimes, a portion of your benefits are funded by the money you contributed to


CalPERS while you were working. If, at the time you and your beneficiary have both died, there are any contributions remaining (member contributions are usually exhausted in approximately 10 years), the unpaid balance would be paid in lump sum to your secondary beneficiary(ies). Members who choose this option most often have a substantial contribution balance they want to protect.

#### ***4. Option 3W and Option 1 Combined***

You can elect an Option 4 to provide that one half of the monthly allowance you receive will be continued to your named beneficiary at your death if the beneficiary is alive and, after the deaths of both yourself and your named beneficiary any remaining balance of your contributions will be paid to your secondary beneficiary(ies).

*For example:*

Using a \$1,000 unmodified allowance, under this Option 4, \$950 a month could be payable to you until your death and then your beneficiary would receive \$475 a month for his or her lifetime. During your joint



lifetimes, a portion of your benefits are funded by the money you contributed to CalPERS while you were working. If, at the time you and your beneficiary have both died, there are any contributions remaining (member contributions are usually exhausted in approximately 10 years), the unpaid balance would be paid in lump sum to your secondary beneficiary(ies).

### ***5. Reduced Allowance for Fixed Period of Time***

You can elect an Option 4 to receive an allowance at retirement which is a percentage of your unmodified allowance and specify the length of time you wish to receive this reduced allowance. After the specified time period you would receive an increased allowance based on the actuarial equivalent of your remaining benefit. This allowance can be based on your life alone or based on the joint lifetimes of you and your named beneficiary. If you name a beneficiary, the lesser allowance is payable to your beneficiary at your death if the specified time period has not elapsed. Once the specified time period has elapsed,

#### **Foxtail Barley**

*Hordeum jubatum*

*This grain is very common in California. You have probably seen it covering roadsides and open fields. Although beautiful, it is unpopular with farmers because it pierces the mouths of the livestock that graze it.*



your beneficiary if alive, will receive the higher allowance for life.

*For example:*

Using the unmodified allowance of \$1,000, you could elect to receive \$500 per month for the first five years of retirement. Beginning with the sixth year, the allowance would be increased to \$1,250 per month for the rest of your lifetime. This Option 4 allowance request requires actuarial staff to do individual calculations, so retirement processing time may be lengthened.

## **6. Multiple Lifetime Beneficiaries**

You can elect an Option 4 that would provide a lifetime benefit to more than one beneficiary unlike the benefit offered under Option 2, 2W, 3, or 3W which limit you to only one beneficiary to receive the lifetime benefit. This type of Option 4 allowance request requires actuarial staff to do individual calculations so retirement processing time may be lengthened.

*For example:*

If you are divorced and remarried, and your ex-spouse has a community property claim to your benefits, you could provide your ex-spouse a lifetime allowance equal to their community property share. In addition, you would be able to designate that the same monthly benefit you receive will be paid at your death to your current spouse for life. Using the unmodified allowance of \$1,000 and assuming your ex-spouse's community property share is \$300





per month, under this type of Option 4, you could receive \$600 per month for life and, at your death, that same amount could be paid to your current spouse.

A different example of this type of Option 4 would be electing to provide a lifetime allowance to your two children at your death. In this example, your \$1,000 unmodified allowance could be reduced to \$700 per month for your lifetime, but at your death your two children could each receive \$350 per month for life.

### **Requesting a Retirement Allowance Estimate for Option 4**

You can request an estimate by completing a CalPERS Retirement Allowance Estimate Request form (PERS-BAS-1). In order to receive an estimate for Option 4, please attach a letter to the estimate request describing the type of Option 4 you wish to receive. Please allow six to eight weeks to receive your retirement estimate.

If you are within six months of your anticipated retirement effective date and want to see an Option 4 calculation on your retirement Election of Optional Settlement and Beneficiary Designation form (PERS-BAS-898), you should submit a letter attached to your application for retirement (PERS-BAS-369S or PERS-BAS-369D) describing the type of Option 4 allowance desired.



## For More Information

### Benefit Application Services Division

P.O. Box 942711

Sacramento, CA 94229-2711

(916) 326-3232

(916) 326-3240 – Teletypewriter (TTY)

(916) 326-3934 – Fax

### Area and Field Offices

Refer to *Do You Have The Right Number?*

(PERS-PUB-19) for a directory to CalPERS

Area and Field Office locations.

While reading this material, remember that we are governed by the California Public Employees' Retirement Law. The statements in this booklet are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.

(On the cover)

### **Wheat**

*Triticum aestivum*

Wheat was introduced to California by the Spanish missionaries. Today wheat is one of the state's largest crops with over 600,000 acres and produces up to three tons per acre. Currently, California wheat is of the highest quality grown and exported throughout the world.

How Did You Like This Brochure

If you would like to share your opinion of this brochure, please send us your ideas. Your constructive comments can help us make this brochure even better. Please answer the questions below and mail this page to the following address:

California Public Employees' Retirement System  
Office of Public Affairs  
P.O. Box 1802, Sacramento, CA 95812-1802

1. This brochure is designed to provide an overview of retirement information. Did you get a useful overview of the information from reading this brochure?  
☐Yes ☐No If no, what do you find lacking?

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2. Did you have questions after reading any sections?  
☐Yes ☐No If yes, in what sections do you have questions, and what are your questions?

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3. Did you find any sections particularly helpful?  
☐Yes ☐No If yes, which sections?

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4. Did you find yourself wanting additional information on any subjects?  
☐Yes ☐No If yes, which subjects?

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5. If you have other comments, please share them below.

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*California Public Employees'*

*Retirement System*

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